



## Delaware Retired School Personnel Association

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### *Presentation to the State Employee Benefits Committee - February 20, 2017*

My name is Wayne Emsley, I'm the Executive Director of the Delaware Retired School Personnel Association and I'm representing 14,000 public school pensioners - some of whom taught you if you attended public school in Delaware.

The name of your committee is the State Employee Benefits Committee but that is really a misnomer, because besides dealing with employee benefits, you also are charged with determining the health care costs for the nearly 26,000 folks who receive a state pension.

It has appeared to me, and others who have observed this committee function in the past, that you tend to think of retirees and employees very similarly. It is of vital importance that you be aware of three significant differences between yourselves - active employees - and retirees. Retirees face very different economic realities. For lack of a better term, I'm going to call them, "The Three Rules of Pensionomics"

Your pay, is going to increase over time. It can increase because of built-in salary steps or merit increases or a career path that includes promotions to higher-paying positions. If you become impatient with the pace of your salary increases you can apply for another higher-paying job.

For retirees, the first rule of pensionomics is, "The value of a pension decreases over time." Because of inflation, the cost of living nearly always goes up, and there is simply not enough money in Delaware's budget to keep up. For example, I retired nearly ten years ago. Since then the cost of living has risen 19%. The legislature has granted raises totaling 4%, so my pension's value has declined 15%. My parents both lived to their mid-eighties. Assuming I live to that age, my pension will be half of its original value.

The second rule of pensionomics is, "The cost of health care increases over time." Our bodies are a little like automobiles. The longer you keep a car, the more care and upkeep it requires. We can't trade our body in for a new model, so we have to spend a greater amount of time and money on its maintenance. Obviously the health plans that you offer to retirees help tremendously in this effort, but with deductibles and copays, part of this increasing burden falls on each retiree. Again, let me use my own experience as an example. My wife and I never smoked, don't drink and we're not overweight. When we retired in 2007, neither of us were taking any medications for chronic conditions, now, ten years later, we take 8 pills a day. Each prescription means a copay. It's not a great amount of money, but it is more than we paid the day we retired. According to the CDC, our drug usage is below average. According to their studies, a person 65 or older is four times as likely to be taking five or more prescriptions per day compared to those aged 25-64.

The third rule of pensionomics is "Most of our major economic decisions are made by others." As an employee you can find a higher paying job if your income isn't high enough - retirees can't

do that. Any increase in my pension is at the discretion of the legislature and the Governor. Retirees can control their spending to some extent, lowering thermostats, reducing power consumption, perhaps putting off buying a new car. But there are limits as to how frugal one can be.

Until they reach 65, retirees can "shop" for medical insurance, but beyond that age they are required to enroll in Medicare and the Special Medicfill plan. Each retiree pays at least \$109.00 per month for Medicare, and an increasing number also pay (at present) \$21.16 for the Special Medicfill option. Most retirees are "trapped" in Medicare; we have to pay whatever the government says. The election of a Republican President, U. S. House and Senate have increased the possibility in changes to the cost and coverage of Medicare in the future. In addition, you folks, the SEBC, have the power to increase the premiums, copays and deductibles of Sepcial Medicfill and any of the health plans that are offered.

So in summary, the Rules of Pensionomics say that our pension value is going to decline, our health care costs are going to increase and the rates of both of these will be determined by others. It's not a very positive picture, but I want to inject a rather bright ray of sunshine here. Retirees are not just sitting around waiting for the money to run out, and ultimately to die. We're active - we volunteer !! Again, using my wife and I as an example, we volunteer at a food pantry, Dottie volunteers at an elementary school and I'm President of our civic association and on a committee of our school board. So don't get me wrong, we continue to have an enjoyable and dignified life. In spite of these challenges, being retired is certainly not all "gloom and doom."

However these three Rules of Pensionomics are the reality that pensioners face today. Someday, you will retire, and these rules will become your reality. There will certainly be a Governor and a Legislature, and probably a SEBC when you retire. How would you want them to view **your** pension and your health care costs? Whether or not you enjoy a dignified retirement will, to a large extent, depend on decisions that these governmental entities make in the future. The dignity of **our** retirement depends on the decisions that **you** will make in the next few months.